

Flowchart for Use of Addendum Regarding Brokers' Fees (TXR 2406)

Paragraph A

Paragraph A. Addendum Controls. This paragraph states that if there is any conflict between this addendum and the sales contract, the terms of this addendum will control.

Paragraph B

Paragraph B. Fees. Insert the county in Texas where the fees must be paid in cash. This county can be where your brokerage office, the property, or the title company that is closing the transaction is located.

Paragraph C

Paragraph C. Listing Broker's Fees. States that the listing broker will be paid a fee by the seller as specified in a separate written agreement (i.e., a listing agreement)

Paragraph D

Paragraph D. Other Broker's Fees. States that the buyer's broker may be paid by the seller or listing broker, depending on which box, if any, is checked. Also states that the buyer shall pay any remaining amount due to the buyer's broker as specified in a separate written agreement (i.e., a buyer representation agreement). Any payment from the seller or listing broker will be applied before the buyer's payment. Both D(1) and D(2) may be checked depending on how the buyer's broker will be paid.

Is the listing broker paying the buyer's broker fees in a separate written agreement (i.e., the *Compensation Agreement Between Brokers* (TXR 2402))?

Yes

No

Check the box for **Paragraph D(1) (Listing Broker Pays Buyer's Broker)** and insert the amount of the agreed upon payment. The amount inserted here does not change the amount agreed to in the separate compensation agreement. If there is a conflict, the amount specified in the separate compensation agreement will control.

Is the seller paying the buyer's broker directly?

No

Nothing further is needed.

Yes

Check **Paragraph D(2) (Seller Pays Buyer's Broker)**. If you check D(2), you also need to check either D(2)(a) or D(2)(b). Do not check both.

Check box D(2)(a) if the seller has signed a separate compensation agreement with the buyer's broker, such as the *Compensation Agreement Between Broker and Owner* (TXR 2401). Insert the amount of the agreed upon payment. The amount inserted in Paragraph D(2)(a) does not change the amount agreed to in the separate compensation agreement. **If there is a conflict, the amount specified in the separate compensation agreement will control.**

Check box D(2)(b) if the seller agrees to pay any of the buyer's broker's fees as an additional term under the sales contract. Insert the amount of such payment. **This option creates a new obligation for the seller to pay the buyer's broker's fee as stated in this addendum.**

Paragraph E

Paragraph E. Authorization. Authorizes the title company to disperse funds in accordance with this addendum.

Intermediary: The form can be used for intermediary transactions, but is not required. All fees to the Listing Broker should be handled through the representation agreements. Seller should not check paragraph D(2)(b) in this scenario because there is no Other Broker in an intermediary transaction.